

Message Text

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TO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMCONSUL OSAKA KOBE

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E.O.11652: N/A

TAGS: ETRD, JA, HK, KS, RP, TH, TS

SUBJECT: VISIT OF US COTTON TRADE MISSION

FOR AMBASSADOR OR PRINCIPAL OFFICER

1. US COTTON TRADE MISSION PRIMARILY CONCERNED WITH
POTENTIALLY WIDESPREAD RAW COTTON CONTRACT DEFAULTS DUE
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RECENT FALL IN PRICE OF COTTON. SPECIFIC CASES OF

THREATENED OR LIKELY DEFAULT ALREADY EXIST IN KOREA, ROC, PHILIPPINES AND HONG KONG.

2. HANS BOHLMANN, PRESIDENT OF COTTON SHIPPERS ASSOCIATION AND OTHER HIGH-RANKING COTTON INDUSTRY SPOKESMEN HAVE MET WITH SECRETARY BUTZ AND STATE DEPARTMENT OFFICIALS TO REVIEW PROBLEM AND EXPRESS CONCERN ABOUT REPERCUSSIONS OF CONTRACT DEFAULTS. THIS CONCERN SHARED BY USDA AND STATE IN VIEW POTENTIAL MAGNITUDE OF CONSEQUENCES FOR UNITED STATES COTTON INDUSTRY AND BALANCE OF PAYMENTS. TRADE DATA INDICATES ROUGHLY 2 MILLION BALES OF OUTSTANDING CONTRACTS IN FAR EAST WITH SOME CONTRACT PRICES OVER 100 DOLLARS A BALE ABOVE CURRENT MARKET. THIS SITUATION, OBVIOUSLY, PROVIDES STRONG TEMPTATION FOR IMPORTERS TO DELAY AND/OR RENEGE ON CONTRACTS.

3. AMBASSADOR AND SENIOR EMBASSY OFFICIALS MAY WISH TO TAKE ADVANTAGE OF SOCIAL AND BUSINESS CONTACTS WITH HOST GOVERNMENT OFFICIALS AS OCCASION ARISES TO MENTION FOLLOWING TALKING POINTS:

A) USG STRONGLY SUPPORTS PRINCIPLE OF SANCTITY OF CONTRACTS. LAST SEASON (1973-74) US FARMERS AND IMPORTERS SHIPPED COTTON UNDER FUTURES CONTRACTS AT PRICES FAR BELOW MARKET LEVELS AT TIME OF DELIVERY.

B) IMPORTANCE OF SANCTITY OF CONTRACTS IN MAINTAINING MUTUAL CONFIDENCE NECESSARY FOR HIGH LEVELS OF TRADE.

4. REQUEST AMBASSADOR RECEIVE TRADE MISSION IF POSSIBLE AND APPOINT APPROPRIATE ESCORT OFFICER. DUDLEY WILLIAMS, FAS/USDA, WILL JOIN GROUP IN TAIPEI FOR REMAINDER OF TRIP. WILLIAMS KNOWS TRADE MISSION MEMBERS WELL AND IS FULLY FAMILIAR WITH CONTRACT PROBLEMS.

LIST OF PARTICIPANTS AND ITINERARY CONTAINED SEPARATE TELEGRAM. SISCO

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